PART III – LIST OF DOCUMENTS, EXHIBITS, AND OTHER ATTACHMENTS

ATTACHMENT J-3

APPENDIX A

COST AND PERFORMANCE INCENTIVE FEE PLAN

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JOHN C. STENNIS SPACE CENTER AND
MICHOUD ASSEMBLY FACILITY
SYNERGY-ACHIEVING CONSOLIDATED OPERATIONS AND MAINTENANCE
(SACOM) CONTRACT

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COST AND PERFORMANCE INCENTIVE FEE PLAN

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I. INTRODUCTION

This Incentive Fee Plan reflects the arrangements between the Government and the Contractor regarding incentive fees available under the contract. It explains the applicability and operation of incentive fee clauses contained elsewhere in the contract.   This plan addresses only the performance and cost incentive fees. The award term incentive plan is addressed in attachment J-3, Appendix B. The contract does not contain any fixed fees or potential award fee.

II. DEFINITIONS

Observed Deficiencies (OD): Number of "failed" inspections during the surveillance period. This may be expressed as a finite number or as a rate.

Maximum Allowable Deficiencies (MAD): The performance deficiencies upon which contract performance becomes unsatisfactory for a particular element. This may be expressed as a finite number or as a rate (e.g. deficiencies does not exceed 10% of lot size).

Assessments: ODs are validated by the Contracting Officer. Each validated OD results in an assessment of the available fee. In the event the quantities of OD exceed the MAD, fee continues to be assessed from the overall fee pool.

Percent MAD (%MAD): The measure comparing the OD to the MAD: %MAD = OD / MAD. All MAD quantities reset each quarter unless identified otherwise.

Earned Performance Incentive Fee (PIF): The weighted sum of % of performance incentives earned for all PWS sections. PIF = Target Performance Incentive Fee x (100% - % MAD)

Earned Cost Incentive Fee (CIF): The allowable cost incentive fee considering the contract cost outcomes. CIF = Target Cost Incentive Fee plus contractor's share of underrun or minus 20% of overrun.

Graduated Share Formulas for Cost Underruns: The agreed-to Government/Contractor share ratios for cost underruns.

III. BACKGROUND

This contract is a performance-based Hybrid Cost-Plus-Incentive-Fee (CPIF), Firm Fixed Price, Indefinite Delivery and Indefinite Quantity (IDIQ), and Award Term Option contract for Synergy-Achieving Consolidated Operations and Maintenance (SACOM) services in support of NASA and other resident agencies at John C. Stennis Space Center and Michoud Assembly Facility. Under the contract there are cost and performance incentive fee arrangements.

An incentive fee arrangement will be applied for cost, based on actual cost as compared to target cost. Cost associated with direct buy purchases (PWS 1.3.3) and other reimbursable amount, if applicable, will be excluded from the computation in determining the cost incentive fee. An incentive fee arrangement will be applied for performance, based on the performance requirements stated in the Performance Requirement Summary (PRS) identified in the Performance Work Statement (PWS), Section J, Attachment J-1. The purpose of the PRS is described in Schedule Clause B.12.

This plan reflects an effective and balanced incentive structure with meaningful value statements within each PWS, and reflects the Government's subjective determination of the relative importance of the cost and performance elements. The allocation of the total incentive fee pool between cost and performance is: 25% (Cost) and 75% (Performance). The total fee reduction for cost and performance is limited to 100 percent of the cost and performance incentive fee pool. Performance and cost will be earned at the end of the 17-month base period. Performance and cost will be earned for the option and subsequent potential award term option years annually. The Government reserves the right to unilaterally change the frequency of the evaluation periods.

IV. PERFORMANCE MEASUREMENT

Performance within each PWS will be measured and computed by cognizant NASA technical personnel who will be identified by the Contracting Officer at the start of the contract and upon changes. There will be quarterly performance assessments. There will not be quarterly cost assessments, since this will not present an accurate analysis of final actual costs versus target costs. However, based on the quarterly summation of performance assessments, the Contractor shall accrue cost and performance fees accordingly. The designated NASA technical personnel will provide the Contracting Officer Representative (COR) with the performance assessment consisting of observed deficiencies (OD) for each PWS whereupon the COR will compile the results for all PWS sections and complete the calculations into a weighted percentage of performance incentive fee earned utilizing Attachment J-1, PWS, Performance Requirement Summary. The COR will submit the results to the Contracting Officer for final review.

Within two (2) weeks following the end of each contract year, the Contractor shall furnish the Contracting Officer a summary of actual costs versus target costs, segregating unallowable actual costs. In accordance with FAR 52.216-7, Allowable Cost and Payment, at any time or times before final payment, the Contracting Officer may have the Contractor's

invoices or vouchers and statements of cost audited. Any payment may be reduced by amounts found by the Contracting Officer not to constitute allowable costs; or adjusted for prior overpayments or underpayments. Upon receipt of the percentage of performance fee earned from the COR, the Contracting Officer will determine the cost incentive fee earned. Within two (2) weeks of receipt of the Contractor's final cost summary, the Contracting Officer will issue a contract modification setting forth the incentive fee earned for the contract year, as well as any increases/decreases in contract value. Payment of incentive fee shall be made in accordance with Schedule Clause B.13 (Payment of Fees), and G.2 (Submission of Vouchers for Payment).

If a major breach of safety or security as defined in NFS 1852.223-75 occurs during a quarterly performance assessment period, that assessment period may result in an overall quarterly assessment score of zero (0).

If the Contractor and Government fail to agree on the determination of final allowable cost and the adjusted cost incentive fee, the Contracting Officer may unilaterally determine the final cost incentive fee, which determination may be subject to the Disputes clause.

V. <u>COST INCENTIVE FEE</u>

The Federal Acquisition Regulation (FAR) Clause 52.216-10, Cost Incentive Fee, (Schedule Clause B.10) applies only to the cost incentive fee pool; it does not apply to the performance incentive fee pool. However, there is a direct correlation between measured performance, based on the performance requirements stated in the PRS, and the sharing of cost underruns. The target cost will be the sum of the total negotiated cost for the core and IDIQ task orders. The Government may unilaterally adjust the target cost if actual work performed was not in accordance with the approved Basis of Estimate (BOE) due to external factors.

The Government and the Contractor agree that:

A. For cost underruns, the share ratio will be computed based on the weighted sum of percentages of performance incentives earned for all PWS sections. This is the direct correlation between technical performance and cost performance. The Contractor shall provide timely notification to the Government of anticipated underruns. The following are the graduated share formulas that apply:

Percentage of Performance Incentive Fee Earned	Underrun Share Ratio Government/Contractor
<u><</u>50	100/0
>50 - 60	99/1
>60 - 65	95/5
>65 - 70	90/10
>70 - 75	85/15
>75 - 80	80/20
>80 - 85	75/25
>85 - 90	70/30
>90 - 95	65/35
>95 - 100	60/40

If the Contractor earns a performance incentive percentage of 50% or less, there will be zero share in the underrun.

B. For cost overruns, the share formula will be 80% Government and 20% Contractor. There will be no correlation to the performance incentive and cost incentive for cost overruns.

VI. <u>PERFORMANCE INCENTIVE FEE</u>

A. The incentive fee shall be apportioned among all PWS sections according to the weights specified in Schedule Clause B.11, Target Performance Incentive Fee. The Contractor's performance will be measured by surveillance methods as described in the PRS and Schedule Clause E.4, Government Contract Quality Assurance Functions. The performance assessments will be calculated on a quarterly basis. Some measurements cannot be done quarterly but will be done annually and will be identified as such in the PRS. A percentage of performance incentive fee earned will be determined by the number of OD calculated during the surveillance period as compared to the Maximum Allowable Deficiencies (MADs).

1. The quarterly percentage of performance incentive fee earned for each work requirement will be totaled to determine the percentage of performance incentive fee earned for each PWS section for each quarterly assessment.

When the method of surveillance includes reliance on Contractor-generated databases or reports, the databases or reports will be checked for accuracy. In those cases where the databases or reports are determined to be inaccurate, the percentage of performance incentive fee earned for the work requirement will be reduced in accordance with the number of deficiencies detected.

2. The quarterly percentage of performance incentive fee earned for all PWS sections will be determined by multiplying the percentage of performance incentive fee earned for each PWS section by the weight for each PWS section and adding them together.

3. The Contracting Officer will notify the Contractor of each performance assessment quarterly percentage.

4. The quarterly performance assessment percentages will be averaged for the entire contract period. The quarterly summation will result in the yearly performance assessment percentage. The yearly performance assessment percentage will be assessed against the total available fee pool in order to determine the final earned performance incentive fee.

B. Exhibit 1 to this Attachment provides the calculations, utilizing a fictitious example, for calculating cost and performance incentive fees for illustrative purposes only.

EXHIBIT 1

ATTACHMENT J-3

SAMPLE COST/PERFORMANCE INCENTIVE FEE CALCULATION SACOM
CONTRACT

The following is the method for calculating the earned cost and performance incentive fee.
Three PWS sections are used as examples in this calculation. Summary information is provided
to assist with calculation purposes only. The final calculation for the incentive fee appears at the
end of the example. The example assumes a potential $750,000 performance incentive fee and
$250,000 target cost incentive fee for the annual period. Performance and Cost incentive fee will
be calculated annually.

STEPS IN CALCULATION:

1. Assume the total Target Fee is $1.0 million. Based on the allocation of 25% for Cost and
    75% for Performance the Target Cost Incentive Fee equals $250,000 and the Target
    Performance Incentive Fee equals $750,000.

2. Assume the Contract has only 3 PWS sections with relative weights (i.e., importance) as
    follows:

PWS sections	Weight
Engineering Services (PWS 1)	20%
Institutional Services (PWS 2)	25%
Facilities Maintenance and Operations (PWS 3)	55%

3. Assume Engineering Services PWS section 1 contract requirements and their weights:

Contract Requirement	Weight
• Engineering Services (Designs, Studies, Project Management Plans)	20%
• Construction Management Services	20%
• Engineering Support Services (Drafting, Digging Permits, Space Utilization)	20%
• CADD Systems Support	20%
• Central Engineering File	20%

4. Assume the following Performance Requirements Summary for the Engineering Services
    from PWS section 1 and the ODs during the surveillance period:

Work Requirements	MAD	Weight	OD
Timely Submission	3%	30%	2%
Quality	3%	40%	3%
Documentation	3%	30%	5%

5. Calculate the Weighted % MAD for Engineering Services contract requirement:

Weighted % MAD = (2% x 30%) + (3% x 40%) + (5% x 30%)
                    3%   3%   3%

= 110%

6. Follow same steps for all contract requirements in PWS section 1.

7. Assume the following % MADs for all of the work requirements in PWS section 1 and calculate the overall PWS section 1 % MAD:

Work Requirement	PWS Weight	% MAD
Engineering Services	20%	110%
Construction Management Services	20%	10%
Engineering Support Services	20%	15%
CADD Systems Support	20%	20%
Central Engineering File	20%	15%

PWS section 1 %MAD = Weighted Sum of the Contract Requirement
% MAD
= (20%) (110%) + (20%) (10%) + (20%) (15%) + (20%) (20%) + (20%) (15%)

= 34%

8. Assume the following % MAD for all three PWS sections.

PWS	Weight	%MAD
PWS Section 1	20%	34%
PWS Section 2	25%	102%
PWS Section 3	55%	2%

9. SACOM Total % MAD = Weighted Sum of the PWS section "%MADs"

= (20%) (34%) + (25%) (102%) + (55%) (2%)
= 33.4%

10. Earned Quarterly assessment

    (100% - 33.4%) = 66.6%

11. The average of all Quarterly assessments equals the Yearly performance assessment percentage.

    QTR 1 (from example) = 66.6
    QTR 2 (example) = 90.1
    QTR 3 (example) = 70.2
    QTR 4 (example) = 85.6

    Yearly Performance Assessment Percentage = 78.2%

12. Performance Incentive Fee (PIF) equals $750,000 (Target Performance Incentive) x $750,000 x 78.2% (Yearly Performance Assessment Percentage) = $586,500

13. Assume Contractor cost underrun of $100,000.

12. Contractor's share of cost underrun, based on the graduated share ratio would be as follows:

$100,000 (underrun amount) x 20% (Contractors share) = $20,000

Note: 78.2% Performance results in a 20% contractor share of underrun (See Section V, Cost Incentive Fee).

13. Earned Cost Incentive Fee equals

Target Cost Incentive Fee (25% of Incentive Fee Pool) plus contractor's share of cost underrun as follows:

$250,000 (cost incentive Fee) + $20,000 (share in Underrun) = $ 270,000

14. Total Fee earned:

Performance Incentive Fee $586,500
Cost Incentive Fee   + $270,000

Example: Total Fee Earned $856,500

Cost OVERRUN example using information from above:

1. Performance Incentive Fee (PIF) equals $750,000 (Target Performance Incentive) x $750,000 x 78.2% (Yearly Performance Assessment Percentage) = $586,500

2. Assume Contractor perform a cost overrun of $100,000.

3. Contractor's share of cost overrun, based on the CPIF Plan (Section V, Cost Incentive Fee) share ratio would be as follows:

$100,000 (overrun amount) x 20% (Contractors share) = $20,000

4. Earned Cost Incentive Fee equals:

Target Cost Incentive Fee (25% of Incentive Fee Pool) minus contractor's share of cost overrun is as follows:

$250,000 (cost incentive Fee) - $20,000 (share in Overrun) = $ 230,000

5. Total Fee earned:

Performance Incentive Fee	$586,500
Cost Incentive Fee	+ $230,000
Example: Total Fee Earned	$816,500